Castle & Cooke, Inc. Annual Report for the Year Ended March 31, 1968

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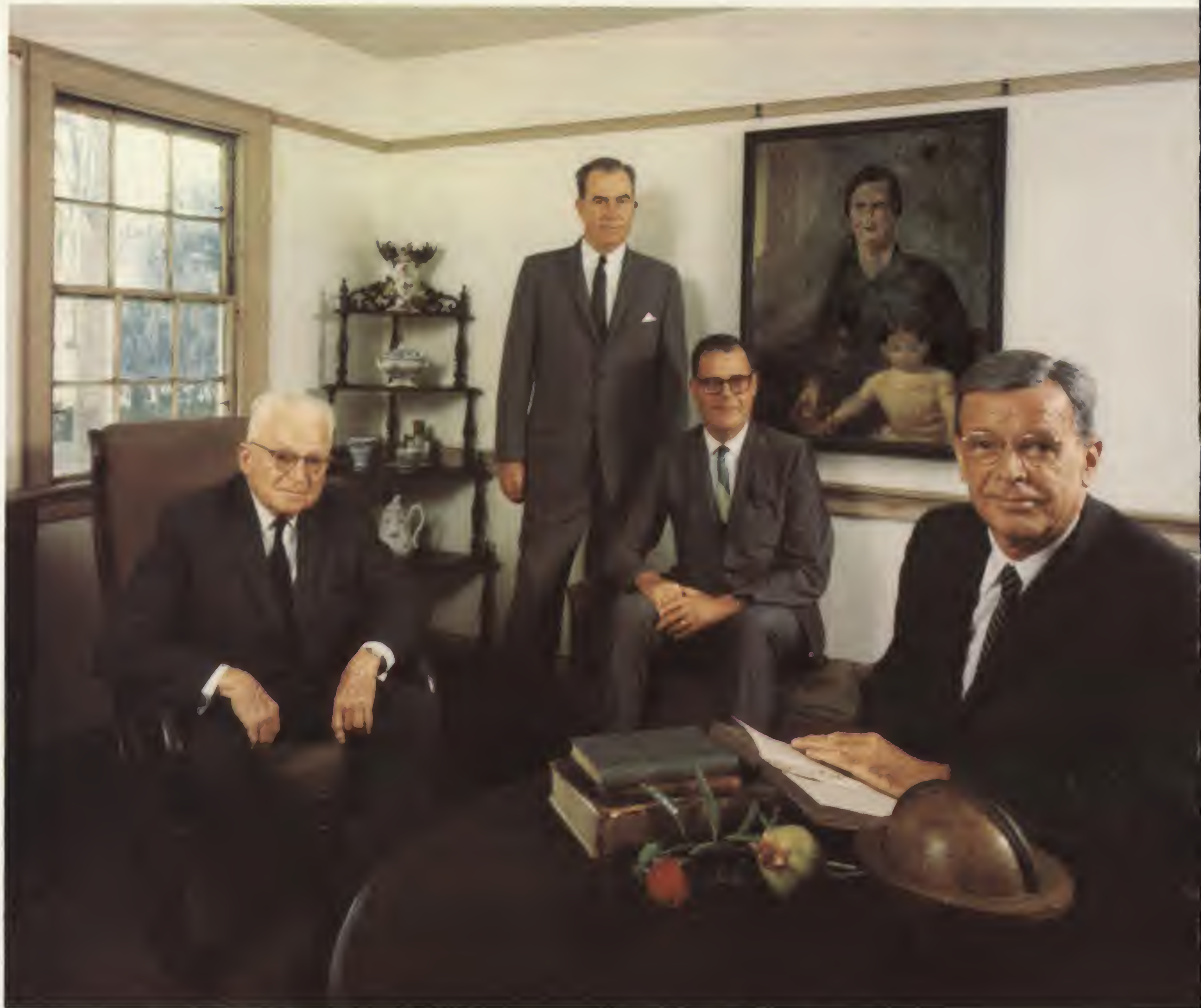
PREFACE

This Annual Report features on its cover the new Castle & Cooke building in downtown Honolulu, the sixth headquarters to be occupied by the company since its founding in 1851. Carrying out a pictorial theme symbolic of the 117-year history of Castle & Cooke, the Directors are photographed in scenes evocative of the company's early years, while the principal officers of today stand at the base of the new tower.

YEAR IN BRIEF	11 Months Ended March 31, 1968	12 Months Ended April 30, 1967
Total revenues	**$348,921,000**	$336,376,000
Income applicable to minority interests	**2,902,000**	2,506,000
Income before extraordinary item	**10,692,000**	8,645,000
Extraordinary item(1)	**—**	1,434,000
Net income	**10,692,000**	10,079,000
Per share of common stock:		
Income before extraordinary item	**2.48**	2.02
Extraordinary item	**—**	.33
Net income	**2.48**	2.35
Working capital	**74,667,000**	62,958,000
Long-term debt	**91,030,000**	52,811,000
Stockholders' equity	**144,269,000**	137,521,000
Per share	**33.34**	31.97
Cash dividends	**4,317,000**	3,987,000
Per share	**1.00**	.95(2)
Number of common shares outstanding	**4,327,248**	4,302,202
Number of stockholders	**11,871**	11,066

(1) Tax credits from carry-forwards of losses and investment credits of subsidiaries.
(2) Adjusted for 5% stock dividend issued to stockholders of record as of March 28, 1967.



Three of the four pictures seen here were taken in Hawaii's first frame dwelling, built in 1821 to house the early mission families. Both Castles and Cookes lived in these rooms at various times. l. to r.: A. G. Budge, who sits in Father Castle's rocking chair, Malcolm MacNaughton, J. S. B. Pratt, III and William M. Bush.

Geo. G. Montgomery (left) and Ernest C. Arbuckle stand on the deck of the restored three-masted schooner C. A. THAYER *which carried company's sugar from Hawaii to Pacific Coast in the days of sailing ships.*

A New England roofline against the tropic palms. From left are: A. S. Atherton, J. H. Midkiff, J. H. Magoon Jr., and R. H. Wheeler.

The missionaries cooked over this fireplace. Standing, l. to r.: James J. Finch, A. D. Schwaner and Thomas F. Sandoz. R. V. Hansberger sits in forefront.

Letter to stockholders

Generally, results for the year were gratifying. Net earnings for the 11-month period ended March 31, 1968 exceeded those of the 12-month period ended April 30, 1967, and were the highest in Castle & Cooke's history.

Consolidated net income was $10,692,000, or $2.48 per share of outstanding common stock for the 11-month period. Net income in the prior 12-month fiscal year was $10,079,000, or $2.35 per share.

Consolidated revenues were $348,921,000 in the period ended March 31, 1968 and also set a company record. In the prior 12-month fiscal year revenues were $336,376,000.

Net earnings for the 1966-67 fiscal year included a non-recurring tax benefit of $1,434,000, or 33 cents per common share. This had arisen from operating loss and investment credit carry-overs of subsidiaries. Thus, there was an even further improvement in earnings from operations for the foreshortened 1967-68 fiscal year.

During the year, the Directors declared cash dividends totaling $1 per common share.

Castle & Cooke changed its fiscal year from one ending April 30 to one ending March 31 because the new period corresponds more nearly to the company's natural annual business cycle. At the same time, the fiscal year for the three sugar plantation companies controlled by Castle & Cooke was changed to one ending January 31, also because this period corresponds to their natural sugar year.

In December, 1967, Castle & Cooke proposed the merger of three subsidiary companies, Standard Fruit and Steamship Company, Waialua Agricultural Company, Limited, and Ewa Plantation Company, into the parent company via an exchange of Castle & Cooke common stock for the outstanding shares held by minority stockholders of the three companies. All three mergers were contingent upon a favorable ruling of the Internal Revenue Service as to the tax-free nature of the transactions.

Minority shareholders of the three subsidiaries approved the mergers, but as we recently reported to you, the I.R.S. issued favorable rulings only for the Ewa and Waialua mergers, which will become effective May 21, 1968. However, the IRS declined to issue a ruling on the Standard merger. As a result, the Standard merger plan has been terminated. However, Management is considering other alternatives and will decide in the near future whether to make a new proposal to Standard's minority shareholders. We will keep you advised of further developments as they arise.

Following are highlights of the operating results of the various Castle & Cooke activities. These are reported in greater detail in the following Operations section of the report.

- Standard Fruit and Steamship Company attained outstanding results for its fiscal period ended December 31, 1967. Net earnings were $6,054,000, the highest in Standard's history. Prior year earnings for this 84 per cent owned subsidiary were $4,519,000. For the first quarter of Standard's 1968 fiscal year, results are substantially ahead of those in the same period a year ago. Standard's operating results are included in consolidated financial statements on the basis of fiscal periods corresponding to those of Castle & Cooke.

Standard's performance comes from fruition of programs to expand and improve operations. These programs continue and should lead to further advances in the future.

Early in 1968, Standard redeemed for cash all of its outstanding Participating Preference Stock.

- The Dole Company division reported earnings substantially ahead of those of the prior year, and revenues for the 11-month period nearly equaled those of the prior 12-month period. Part of this improvement in earnings is attributable to the 61-day Hawaiian pineapple industry strike which began February 8, 1968. During this interruption, Dole had no pineapple growing and processing costs. At the same time inventories of finished products packed earlier in the fiscal year were being liquidated. Also, in an attempt to keep supply pipelines filled in the face of a lengthy work interruption, promotions and other marketing programs were curtailed.

It is too early to assess fully the future effects of this strike, but it appears probable that Dole's earnings in the new fiscal year will be penalized above and beyond the additional costs incurred by the terms of the new four-year pineapple labor

contract because of deferred agricultural work.

- The Bumble Bee Seafoods division established a new sales record for the 12th consecutive year, with volume for the 11-month period exceeding that of the prior 12-month period. Earnings declined from the record level of 1966-67, but were still among the best in the division's history.

The lower earnings resulted from a combination of high prices for imported raw tuna and intensely competitive pricing in the marketing of canned tuna, and the smallest Alaska salmon run since 1899, resulting in higher unit costs.

- The combination of a nine-month fiscal year for the three Hawaiian sugar plantation companies and unfavorable weather conditions at the two sugar plantations on the Island of Oahu resulted in substantially lower earnings from sugar.

- Oceanic Properties, Inc., our land development subsidiary, reported substantial net earnings for the year. This is the first Oceanic profit. We are confident that Oceanic's future operations will maintain their present momentum. Principal contributor to Oceanic's earnings was The Sea Ranch, a second-home development on the Northern California coast, whose reception by the buying public has been very good. Oceanic also is well embarked on its large Mililani Town project near Honolulu.

- The Royal Hawaiian Macadamia Nut division again had a modest profit, but the operation continues to be plagued by problems beyond its control. In February, 1968, a major fire of unknown origin at the processing plant destroyed much of the nut inventory needed to maintain full distribution in the marketplace until the new harvest is processed next fall.

- Ames Mercantile Company, Inc., our new merchandising subsidiary, made excellent progress during the year, but earnings were down somewhat due to start-up costs of its new warehouse and headquarters office in Brisbane, near San Francisco, and the costs of opening additional discount stores and concessions.

- Castle & Cooke, in partnership with American President Lines, continues with its plan to inaugurate Hawaiian Lines, a new and badly-needed freight service between Hawaii and the Pacific Coast. Federal Maritime Board hearings on A.P.L.'s participation in the venture have concluded and a decision is expected later in 1968. Meanwhile, another hearing will begin in June on whether Castle & Cooke needs federal approval to participate.

The world population explosion and its effects on world food supplies has been considered by Castle & Cooke for some time. Within the organization there is a reservoir of management and technical skill in the fields of agriculture, food processing, fisheries and related activities. Believing these talents can assist food production in under-developed and developing countries, Castle & Cooke has established PLAN, a new international contract management and consulting division. This organization, headed by William W. Paty, Jr., will work with foreign nations, U. S. agencies and private organizations to bring practical assistance to the development of food supplies.

We record with deep regret the untimely death in November, 1967, of Howard Hubbard, a vice president of Castle & Cooke and at the time of his passing President of our Dolefil operations in the Philippines. His business career was a distinguished one, and the contribution he made in his last and most difficult assignment earned the respect and gratitude of us all. Geronimo Z. Velasco, the able young president of our Republic Glass Corporation subsidiary in Manila, succeeded Mr. Hubbard at Dolefil as president.

Prospects for 1968-69 are encouraging. In the attainment of another year of progress we look to the men and women of Castle & Cooke and its affiliated companies, whose performance in the past has been so outstanding.

A. G. Budge
Chairman of the Board

Malcolm MacNaughton
President

Honolulu, Hawaii
May 1, 1968

Donald J. Kirchhoff, President,
Standard Fruit & Steamship Company

STANDARD FRUIT AND STEAMSHIP COMPANY

The record profitability of Standard's 1967 operations was attributable to the competitive success of programs instituted in previous years. These programs concentrated on reduction of costs, upgrading of the banana product line by increasing the volume of the high quality Giant Cavendish variety, and expansion of the company's profit base with new markets and new products. It should be pointed out that these programs have not culminated, but are continuing and the effects realized in 1967 are expected to be multiplied in future years.

During 1967, the domestic banana market was slightly higher than in 1966, reversing a downward trend that had been experienced over the past several years. This minor improvement appeared to reflect primarily the improved quality of the average banana being offered for sale, rather than any real change in demand. Standard's improved overall product certainly was a major factor in reversing the marketing trend, a prime example of the company's strengthened competitive position.

A new record volume of Cabana bananas exported from Costa Rica during 1967 was the result of expanded acreage of independent farms, together with continuing good productivity on company farms. More than 1,600 acres of independent farms, operated by local landowners, which had been developed and planted previously, came into production during 1967. More importantly, some 6,600 acres of new independent farms were planted during the year. As these farms begin production in 1968, the volume of Standard's banana exports from Costa Rica will continue to increase to twice the level of exports in 1966.

In Honduras, continuing good productivity and the added volume from new independent farms resulted in an increase of banana shipments during 1967. New techniques adopted during the year, both in basic agricultural systems and in better handling methods, resulted in a substantial quality improvement. Planting by the independent planter in the Sula Valley was not as fast as had been hoped in 1967, but this farm is now being developed more rapidly and a

significant increase in the volume of banana shipments through Puerto Cortes is expected in 1968.

Initial commercial-scale shipments from Standard's cultivations of Hawaiian-type fresh pineapples were scheduled for the spring of 1968. The agricultural phase of this project is progressing well and this new line of produce is expected to be a significant profit contributor when full productivity has been reached.

While continuing with a significant volume of shipments of Ecuador bananas to the United States, the company further expanded its shipments of these bananas to Europe and Japan, thus maintaining its high level of exports from Ecuador. The rapid conversion of independently owned and operated farms from the Gros Michel to the Cavendish variety is an important factor in the country's position as a major supplier of bananas. The Cavendish variety has become the preferred type in world markets and this conversion can place Ecuador in a more competitive supply position in the future.

Following establishment of weekly shipments to Northern Europe in 1966, total volume of the company's bananas to that area increased in 1967, their successful marketing being handled by the EUROBANA importing group. Standard's competitive strength in this market will be improved as more Cavendish bananas become available. Early in 1968, the initial shipment of the company's Latin American bananas was made to Southern Europe under a new joint participation agreement with the COMAFRICA importing group.

In the Philippines, extensive work has been done in Southern Mindanao toward establishing banana production for the Japanese market. Commercial plantings on small farms operated by local landowners began in the middle of 1967, and some 1,500 acres had been planted by year-end. It is anticipated that the first phase of the project will be completed by the end of 1968. Initial shipments of Philippine bananas to Japan are now planned for the fall of 1968 and full weekly shipments by the latter part of 1969. They will be distributed by C. Itoh and Company, Ltd., one of Japan's major importing firms.

DOLE COMPANY DIVISION

Dole's gains in its most important market — domestic U. S. solid-pack pineapple — were achieved in a period of mixed and conflicting competitive conditions. Increased competition from low-priced foreign pineapple continued, but competition from Pacific Coast canned fruits was somewhat lessened by adverse crop conditions and resulting high prices of California fruits.

Great impetus was given Dole's growth in pineapple sales by further expansion in distribution of Dole pineapple packed in its own natural juice. Trade and consumer response to this new product is very encouraging. There has also been widespread acceptance of a switch from very heavy syrup to heavy syrup as the packing medium for regular solid-pack pineapple. In December, 1967, a price increase was made on selected pineapple items, the first general increase since April, 1963.

In the face of severe price competition from a record pack of orange juice, Dole's sales volume of pineapple juice exceeded that of the previous year. Industry volume of pineapple-grapefruit drink, however, suffered severely from orange juice competition.

William F. Quinn, President, Dole Company

The reduced pack of mainland fruits resulted in abnormally high selling prices for much of the year, but even at these price levels it was difficult to offset the substantial increase in costs resulting from very high raw product prices and other factors.

The Dolefil project in the Philippines made significant progress. Tonnage increased 60 per cent over that of the prior year, fruit quality continued excellent, and recoveries reached a new high. Dolefil pineapple packed in its own juice is now being imported into the U. S. market and constitutes a major portion of the Dolefil pack. By next year, the projected acreage required to produce 200,000 tons of pineapple annually will be planted. In addition, Dolefil is now the largest coffee producer in the Philippines, harvesting more than two million pounds of coffee cherries last year.

Bromelain, the protein-digesting enzyme recovered

from pineapple, continues to be a promising growth area. Although expansion of marketing was impeded during the year by inability to produce enough product to meet demand, solutions to major production problems are now in sight.

The strike settlement reached between the Hawaiian pineapple industry and the I.L.W.U. will be costly to Dole and other pineapple companies, and will increase the difficulty of keeping Hawaiian pineapple competitive with that of low-cost producing areas. The wage settlement will amount to a 6.2 per cent increase compounded over the four-year period of the contract. However, the length of the contract will provide much needed stability to enable Dole to redouble its efforts to modernize and mechanize its operations further and thus achieve labor savings.

During the year, George T. Wada was elected Controller of Dole.

John S. McGowan, President, Bumble Bee Seafoods

BUMBLE BEE SEAFOODS DIVISION

During 1967, disappointing runs of Pink salmon in the major producing areas of Alaska coincided with the expected low-cycle run of Red salmon in Bristol Bay. Biologists attributed the failure of the Pink salmon runs to abnormally hot and dry weather prevailing in Alaska during the 1965 brood year. The small production of 1967 was in marked contrast to the exceptionally good Pink salmon fishing the prior year.

Both Puget Sound and Columbia River packs of salmon during 1967 exceeded those of the prior year. Unusually large runs of Silver salmon occurred along the Oregon and Washington coasts and in the Columbia for the fifth consecutive year. These runs represent a continuation of the excellent results attained by recent hatchery programs.

Bumble Bee's packs of both Albacore and light meat tuna were greater during the past 11 months than in the preceding full year. The Albacore pack at the Astoria cannery was increased by record landings of locally caught Albacore at Oregon ports. Hawaiian catches of Aku tuna were down

for the second successive year, but imports of foreign-caught tuna supplemented domestic production. Improved tuna fishing in the Atlantic, both domestic and foreign, contributed to better production at the Cambridge, Md., plant.

Alaska King crabs were less abundant during the year, and production declined more than 20 per cent.

During 1967, the demand for Figaro tuna pet food exceeded available domestic production. Arrangements were made with foreign processors to manufacture this product according to Bumble Bee's exacting specifications and the imported pet food was marketed successfully together with the domestic product. The pet food line was expanded by introduction of a canned chicken cat food.

In November, 1967, Bumble Bee purchased the 40 per cent minority interest in Maryland Tuna Corp. held to that time by Taiyo-California, Inc., and this operation now functions as a division of Bumble Bee.

During the year, Bumble Bee entered the canned shrimp market with a small, tender, delicately flavored shrimp caught off the Oregon coast.

Just before the close of the fiscal year, CWC Fisheries, Inc., a corporation owned 50 per cent each by Bumble Bee and Wards Cove Packing Company, Inc., acquired the operating assets of Kadiak Fisheries Company and Chignik Fisheries Company. These firms owned and operated a large salmon cannery at Port Bailey at the north end of Kodiak Island, a floating crab cannery at the town of Kodiak, an inactive salmon cannery on the South Alaska peninsula and other facilities, all of which are strategically located to supplement CWC's present operations in Central Alaska.

Allen V. Cellars, Secretary, and Wilson N. Siegmund, Treasurer, were elected vice presidents of the division.

Sugar plantation managers. l. to r.: H. J. W. Taylor, Waialua; E. C. Bryan, Ewa; and Alvan C. Stearns, Kohala

SUGAR

Mainland deliveries of refined sugar by California and Hawaiian Sugar Company were 830,000 tons, the third largest

in its history. Approximately 100,000 tons of refined deliveries were lost, however, due to the six-week strike during June and July which halted all operations at Crockett. The effects of the strike were mitigated by a later-than-normal California fruit crop which permitted the company to resume production before the peak seasonal canning requirements had passed. Continued heavy Government procurement in support of military activity in Vietnam and a continuing diminution of beet sugar supplies were also helpful.

Both raw and refined prices improved substantially over 1966, raw prices averaging \$145.54 per ton during 1967, approximately \$5.75 per ton higher than the average price of 1966.

Castle & Cooke's plantations on Oahu continued to be plagued by unfavorable weather which reduced yields. Waialua's production dropped from 80,071 tons in the 12 months ended January 31, 1967, to 68,356 tons for the same period ended in 1968. Ewa's production was reduced from 62,068 tons in the same period of 1967 to 53,653 tons in 1968.

Kohala's production almost equalled that of the same prior 12-month period, but results were penalized by heavy start-up expenses in connection with its new boiler and bagasse-handling facility.

William M. Hale, President,
Royal Hawaiian Macadamia Nut Company

MACADAMIA NUTS

Demand for Royal Hawaiian macadamia nuts continued strong through the fiscal year and only lack of product limited further marketing expansion.

The Botrytis fungus which attacks macadamia blossoms severely curtailed tonnage in 1966 and continued under intensive study in 1967, and while progress is being made, the problem has not been fully controlled. Its effects in 1967, however, were much reduced and the crop yield increased 22 per cent over the prior year.

The February, 1968 fire destroyed the dehydration tanks and a major share of the carryover inventory earmarked for 1968. While the fire was controlled within a few hours, it took 42 hours to finally extinguish the exceptionally

hot blaze. There was no damage to factory buildings.

Macadamia nut brittle, introduced last year, is doing well and another new product, Royal Hawaiian chocolate macadamia nut truffle, was introduced in selected markets. This is a high quality chocolate bar being custom packed in California.

Warren G. Haight, President, Oceanic Properties, Inc.

OCEANIC PROPERTIES, INC.

The Sea Ranch, Oceanic's second-home development on the Sonoma County coast of California, had another year of excellent sales, and continued to receive national acclaim for its sensitive and far-sighted planning approach to the development of housing while conserving open space and natural beauty. Planned community mapping is being completed on the remaining 3,000 acres of the property in order to keep up with continuing strong marketing demand.

Uncertainties in the money market further delayed the start of the 11,000-acre Hamilton new town project at San Jose, Calif. Housing demand has increased in surrounding Santa Clara County and several potential investors are studying the project, but a definite starting date cannot be predicted at this time.

The partnership at the Wilshire Metropolitan Medical Center in Los Angeles was dissolved, with Oceanic obtaining full ownership. Professional property management has been installed and a substantial improvement in the operation is expected. Negotiations are currently under way for the sale of the Olive Court Shopping Center in nearby Orange County.

First units of Mililani Town, Oceanic's new community in the center of Oahu, are scheduled to open in early June. This project is funded by Aetna Life Insurance Company and Honolulu Mortgage Company, Ltd. The substantial offsite and onsite improvements necessary to begin this major project were completed at or below estimated cost despite delays caused by unfavorable weather.

Oceanic's role as development manager of the Financial Plaza of the Pacific in downtown Honolulu will end in mid-summer of 1968, but the body of talent and experience acquired in this project by Oceanic's Commercial Development Division is now being utilized for similar new projects in Hawaii and on the mainland.

As the new fiscal year began, Oceanic was retained by the city of Oakland, Calif., to make a planning and feasibility study on a massive redevelopment project encompassing eight square blocks in the city's downtown area. This area is a strategic one, located adjacent to the principal East Bay station of the new Bay Area Rapid Transit system. If results of the study are favorable, Oceanic would become the development manager and possibly a participant. The project could include a major convention center, one or more hotels, shopping, offices, apartments and ample parking.

Oakland is typical of the major cities whose downtown cores have deteriorated with resulting social and economic problems that are of such national concern. In combination with an aggressive city government, Oceanic hopes to make a major contribution toward the solution of Oakland's urban problems.

Aaron M. Greenberg, President, Ames Mercantile Company, Inc.

AMES MERCANTILE COMPANY, INC.

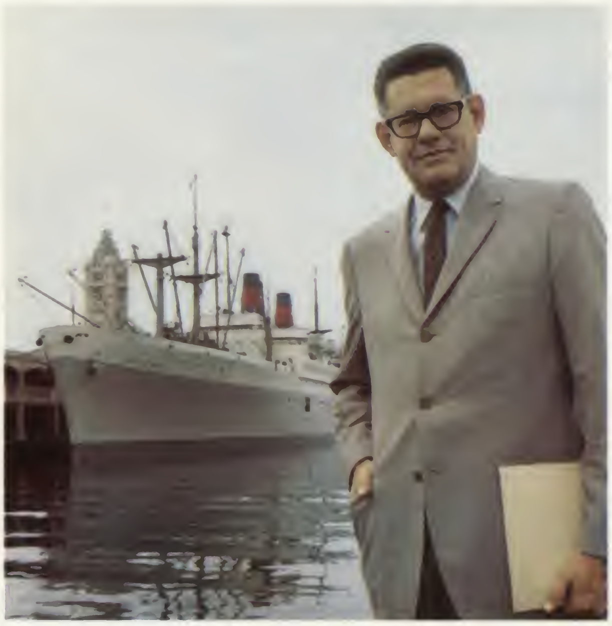
The 1967-68 year was one of substantial progress for Ames. Its new 105,000-square-foot warehouse and office building in Brisbane, equipped with the most modern materials handling equipment, is resulting in improved productivity and efficiency. Combined with the new warehousing operation of Ames' subsidiary, S&S Merchandise Company, near Los Angeles, Ames now has complete wholesaling coverage of California and adjacent states.

Ames' retail division has 89 discount concession departments in 27 large discount stores in California, Nevada, Oregon, Washington and Hawaii, and operates pharmacies in 15 of these stores. During the year Ames acquired concession departments in large Bremerton, Wash., and Honolulu discount stores, and opened additional such units in California and Nevada.

Its chain of four Value Giant junior discount stores

was augmented by the opening of new Value Giants in Salinas and Yreka, Calif. Three more such units are scheduled for opening in the new fiscal year.

During the year, Aaron M. Greenberg was elected President and Chief Executive Officer of Ames, succeeding Frank W. Kase, who became Chairman of the Board. Paul Kase was elected Executive Vice President, Richard Gould became Vice President in charge of Wholesaling and Leon Schneck became Vice President and General Merchandising Manager.



John H. Scott, Vice President-Shipping

SHIP AGENCY AND TERMINALS

The major development of the year was the announcement by Isthmian Lines that it will suspend its 50-year-old Atlantic/Gulf-Hawaiian cargo service effective in June, 1968. Since Castle & Cooke is the freight agent in Hawaii for Isthmian and Castle & Cooke Terminals is its stevedore in Honolulu, the loss of revenue to both of these service operations will be substantial. It will be partially offset, however, by the services provided in shipping Castle & Cooke products to market via chartered vessels.

The Terminals have been retained by the Port of Guam to help plan new facilities and equipment, as well as to advise the port on its operations.

HAWAIIAN EQUIPMENT COMPANY

Earnings of the Hawaiian Equipment Company division were lower than in the prior year. Machinery business declined during the early months of the year, but recovered somewhat during the last quarter. Sales of heavy construction and agricultural equipment improved, as did truck sales. The general outlook for heavy construction in Hawaii is encouraging.

Hideto Kono, President, Castle & Cooke East Asia, Ltd.

Geronimo Z. Velasco, President, Dole Philippines, Inc., Republic Glass Corp.

CASTLE & COOKE EAST ASIA, LTD.

The burgeoning market and standard of living in Japan offer a number of interesting opportunities for Castle & Cooke and these are being actively developed with Japanese partners.

Japanese canned fruits and vegetables are now being marketed there under the Dole label in a limited way, and action has been initiated to develop export markets for these products. In addition, market development for Dole canned pineapple products, fresh pineapple and macadamia nuts from Hawaii is making progress.

The Jintan-Dole Company is also moving ahead in the research, development and marketing of pharmaceutical products containing bromelain produced by Dole in Hawaii.

REPUBLIC GLASS CORPORATION

Earnings of Republic Glass Corporation of Manila, 61 per cent owned by Castle & Cooke, were down somewhat from the prior year. Although earnings from window glass and figured glass increased, continuing problems were experienced in the new plate glass plant. It is expected that these problems can be solved with the installation of continuous grinding and polishing equipment.

Plans are under way to install a second window glass plant, and market studies are being made on the potentialities of exporting Republic's glass products to other areas of the Pacific.

THAI-AMERICAN STEEL

This Bangkok venture, 55 per cent owned by Castle & Cooke, had a very successful year. Sales of steel pipe and furniture tubing increased substantially and the company was profitable for the second successive year. In order to provide further capacity and production flexibility, studies are being made on installation of a second pipe and tubing plant.

STATEMENT OF CONSOLIDATED FINANCIAL CONDITION

	March 31, 1968	April 30, 1967
CURRENT ASSETS:		
Cash	**$ 17,394,000**	$ 13,196,000
Time deposits and marketable securities — at cost, which approximates market	**2,111,000**	618,000
Accounts receivable, less allowances for doubtful accounts — 1968, $495,000; 1967, $477,000	**40,416,000**	36,327,000
Inventories	**74,515,000**	73,358,000
Prepaid expenses	**5,332,000**	4,497,000
Total current assets	**139,768,000**	127,996,000
DEDUCT CURRENT LIABILITIES:		
Notes payable, including current installments on long-term debt	**26,313,000**	34,136,000
Accounts payable	**29,726,000**	26,619,000
Dividends payable	**1,082,000**	—
Income taxes payable	**7,980,000**	4,283,000
Total current liabilities	**65,101,000**	65,038,000
WORKING CAPITAL	**74,667,000**	62,958,000
GROWING CROPS — At static values	**5,300,000**	5,300,000
INVESTMENTS:		
Capital stock of sugar marketing cooperative — at cost	**2,392,000**	2,392,000
Subsidiaries not consolidated:		
Domestic — at equity	**—**	2,614,000
Foreign — at cost	**1,985,000**	1,531,000
Other investments — at cost	**4,911,000**	5,436,000
LAND — At cost	**26,054,000**	21,131,000
BUILDINGS, MACHINERY AND EQUIPMENT — At cost, less accumulated depreciation — 1968, $124,553,000; 1967, $113,489,000	**111,972,000**	95,111,000
NON-CURRENT RECEIVABLES — Less allowances for doubtful accounts — 1968, $266,000; 1967, $288,000	**11,579,000**	10,393,000
DEFERRED CHARGES AND OTHER ASSETS	**25,701,000**	18,545,000
Total	**264,561,000**	225,411,000
DEDUCT:		
Long-term debt	**91,030,000**	52,811,000
Deferred income taxes	**4,561,000**	5,741,000
Deferred income and other credits	**1,452,000**	1,440,000
Minority interests (including preferred stock of subsidiaries — 1968, $550,000; 1967, $8,361,000)	**23,249,000**	27,898,000
Total	**120,292,000**	87,890,000
NET ASSETS, REPRESENTING STOCKHOLDERS' EQUITY	**$144,269,000**	$137,521,000
STOCKHOLDERS' EQUITY:		
Capital stock	**$ 43,852,000**	$ 43,515,000
Capital in excess of par value	**11,198,000**	10,948,000
Capital from acquisition of subsidiaries' stock	**16,969,000**	16,909,000
Retained earnings	**73,896,000**	67,521,000
	145,915,000	138,893,000
Less cost of treasury stock	**1,646,000**	1,372,000
STOCKHOLDERS' EQUITY	**$144,269,000**	$137,521,000

See accompanying notes to financial statements.

STATEMENT OF CONSOLIDATED INCOME AND RETAINED EARNINGS

	11 Months Ended March 31, 1968	12 Months Ended April 30, 1967
REVENUES:		
Food products, except sugar	**$252,203,000**	$250,411,000
Sugar	**21,430,000**	28,334,000
Merchandising	**53,429,000**	42,717,000
Service operations, including rentals	**13,720,000**	9,958,000
Land development and real estate operations	**4,217,000**	2,026,000
Gain on sales of capital assets	**1,772,000**	243,000
Dividends, interest and other revenues	**2,150,000**	2,687,000
Total	**348,921,000**	336,376,000
COSTS AND EXPENSES:		
Cost of products and merchandise sold	**243,180,000**	241,192,000
Selling, service, general and administrative expenses	**69,342,000**	64,683,000
Depreciation	**8,042,000**	8,135,000
Interest	**4,754,000**	3,565,000
Total	**325,318,000**	317,575,000
INCOME BEFORE INCOME TAXES	**23,603,000**	18,801,000
INCOME TAXES:		
Current	**11,189,000**	7,889,000
Deferred	**(1,180,000)**	(239,000)
Total	**10,009,000**	7,650,000
INCOME BEFORE MINORITY INTERESTS	**13,594,000**	11,151,000
MINORITY INTERESTS	**2,902,000**	2,506,000
INCOME BEFORE EXTRAORDINARY ITEM	**10,692,000**	8,645,000
EXTRAORDINARY ITEM — Tax credits from carry-forwards of losses and investment credits of subsidiaries	**—**	1,434,000
NET INCOME	**10,692,000**	10,079,000
RETAINED EARNINGS, BEGINNING OF PERIOD	**67,521,000**	67,427,000
	78,213,000	77,506,000
DEDUCT DIVIDENDS:		
Cash — Castle & Cooke, Inc.	**4,317,000**	3,987,000
Cash — paid by pooled company prior to acquisition	**—**	52,000
Stock — 5%	**—**	5,946,000
RETAINED EARNINGS, END OF PERIOD	**$ 73,896,000**	$ 67,521,000
PER COMMON SHARE:		
Income before extraordinary item	**$2.48**	$2.02
Extraordinary item	**—**	.33
Net income	**$2.48**	$2.35
Cash dividends	**$1.00**	$ .95

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all subsidiaries except several small foreign subsidiaries. Three small domestic subsidiaries, stated at equity in the 1967 financial statements, have been included in consolidation in 1968. The accounts of foreign subsidiaries are maintained in United States currency or are translated at appropriate rates of exchange.

The Company has changed its fiscal year to end on March 31. The consolidated financial statements for the eleven months ended March 31, 1968 include the accounts of the sugar plantation subsidiaries for the nine months ended January 31, 1968 (following a change in their fiscal years) and the accounts of several other subsidiaries on the basis of their full fiscal years.

In the statement of consolidated income and retained earnings for fiscal 1967, tax credits of $1,434,000 have been reclassified as an extraordinary item.

INVENTORIES

Inventories at March 31, 1968 consisted of the following:

Merchandise purchased, at the lower of cost or market:	
Principally first-in, first-out	$ 5,843,000
Retail inventory method	4,403,000
Finished products and raw materials:	
At the lower of cost (principally average) or market	28,486,000
At static unit values (substantially less than cost)	6,843,000
Operating supplies, generally at the lower of average cost or market	28,940,000
Total	$74,515,000

GROWING CROPS

This amount represents pineapple and sugar crops in Hawaii, stated at static values which are substantially less than current costs. The costs of growing these and all other crops, except those of two Philippine subsidiaries referred to below, are charged to operations as incurred.

PROPERTY

The major classes of property, other than land, were as follows at March 31, 1968:

Real estate improvements	$ 17,392,000
Buildings	59,438,000
Machinery and equipment	128,065,000
Water, power and sewer systems	16,738,000
Improvements in progress	14,892,000
Total	$236,525,000

Depreciation and amortization is computed generally by use of the straight-line method; the principal exception relates to property acquired between January 1, 1954 and April 30, 1963 by the Company and its then-existing subsidiaries for which the sum-of-the-years-digits method generally is used.

INCOME TAXES

Deferred income taxes result from the use of different methods of computing depreciation for tax purposes and for financial statement purposes, use for tax purposes of the installment method of accounting for certain deferred-payment sales, and the differences between book and tax expenses for pension and management incentive plans.

LONG-TERM DEBT

At March 31, 1968 consolidated long-term debt, less current maturities, consisted of the following:

Unsecured notes:	
Prime rate plus ½%, currently 6½%, due 1969-1973	$33,500,000
Prime rate plus ½%, minimum 4%, maximum 6%, currently 6%, due 1969-1974	21,000,000
Others, various interest rates, due 1969-1974	16,399,000
Notes and contracts (certain land, buildings and equipment pledged as collateral)	20,131,000
Total	$91,030,000

Payments on long-term debt are due in the following amounts during the years ended March 31, 1969, $6,684,000; 1970, $10,474,000; 1971, $12,051,000; 1972, $14,477,000; 1973, $11,181,000.

Provisions of credit agreements require maintenance of minimum working capital, current ratios and debt ratios, and also impose restrictions on payment of cash dividends. Under the most restrictive of these provisions, approximately $17,800,000 of consolidated retained earnings at March 31, 1968 was not restricted as to payment of cash dividends.

COMMITMENTS AND CONTINGENT LIABILITIES

Under ship charters with expiration dates ranging from 1969 to 1973, and various lease agreements expiring generally within twenty-five years, the companies have incurred obligations of approximately $10,400,000 for the year ending March 31, 1969.

The Company and its subsidiaries have several pension plans covering substantially all of their full time employees, including certain employees in foreign countries. The total pension expense applicable to these plans for the eleven month period was $1,455,000. The Company's policy is to fund pension cost accrued. The actuarially computed value of vested benefits for all plans as of March 31, 1968 does not exceed the value of the related pension funds.

At March 31, 1968, the companies were contingently liable in the amounts of $2,917,000 for notes discounted and mortgage loans endorsed, and $4,894,000 for guarantees of associated companies' indebtedness.

DEFERRED CHARGES

Deferred charges at March 31, 1968 include $14,811,000 of costs and expenses in excess of revenues of two Philippine subsidiaries in the developmental stage. Amortization of such amounts will commence when full production is attained, which is expected to be within two years.

CAPITAL STOCK	Shares at March 31, 1968	Shares at April 30, 1967
Preferred stock, no par value:		
Authorized (none issued)	500,000	500,000
Common stock, $10 par value:		
Authorized	10,000,000	10,000,000
Issued	4,385,236	4,351,488
In treasury	57,988	49,286
Outstanding	4,327,248	4,302,202

STOCK OPTIONS

The Company has employee stock option plans under which options become exercisable cumulatively over the option periods. For plans adopted prior to 1963, the option period is ten years and the option price is not less than 95% of the market price on the date of grant. For subsequent plans the option period is five years and the option price is the market price on the date of grant. A summary of transactions during the eleven months ended March 31, 1968 is as follows:

	Options Outstanding			
		Option Price		
	Shares	Average Per Share	Total	Shares Available For Option
Balance, May 1, 1967	179,717	$21.28	$3,825,000	40,567
Options granted	29,750	31.25	930,000	(29,750)
Options exercised	(33,748)	16.61	(561,000)	
Options cancelled	(7,362)	23.72	(175,000)	5,636
Balance, March 31, 1968	168,357	23.87	$4,019,000	16,453

Standard Fruit and Steamship Company, a subsidiary, has a plan with provisions similar to the parent company's recent plans. During the 48 weeks ended March 23, 1968, options for 8,620 shares were exercised at $21.11 a share. There were 78,810 shares under option at March 23, 1968 and 4,800 shares available for option.

CAPITAL IN EXCESS OF PAR VALUE

Balance, May 1, 1967	$10,948,000
Excess of proceeds over par value of shares issued under employee stock option plans	223,000
Other	27,000
Balance, March 31, 1968	$11,198,000

AUDITORS' REPORT

To the Stockholders
of Castle & Cooke, Inc.:

We have examined the statement of consolidated financial condition of Castle & Cooke, Inc. and its consolidated subsidiaries as of March 31, 1968 and the related statements of consolidated income and retained earnings and of consolidated source and application of funds for the eleven months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Standard Fruit and Steamship Company and its subsidiaries and Oahu Transport Company, Limited, whose assets, sales, and net income included in consolidation represent substantial portions of the respective consolidated totals, but we were furnished with the reports of other independent accountants on their examinations of the financial statements of those companies.

In our opinion, based on our examination and the reports of other independent accountants referred to above, the accompanying statements of consolidated financial condition and consolidated income and retained earnings present fairly the financial position of Castle & Cooke, Inc. and its consolidated subsidiaries at March 31, 1968 and the results of their operations for the eleven months then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year; and the accompanying statement of consolidated source and application of funds presents fairly the information shown therein.

HASKINS & SELLS
Certified Public Accountants

Honolulu, Hawaii
May 1, 1968

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS	11 Months Ended March 31, 1968	12 Months Ended April 30, 1967
SOURCE OF FUNDS:		
Net income	**$10,692,000**	$10,079,000
Income applicable to minority interests	**2,902,000**	2,506,000
Depreciation	**8,042,000**	8,135,000
Deferred income taxes	**(1,180,000)**	(239,000)
Funds provided from operations	**20,456,000**	20,481,000
Increase in long-term debt	**38,219,000**	23,959,000
Sale of capital stock under stock option plans	**742,000**	551,000
Total	**$59,417,000**	$44,991,000
APPLICATION OF FUNDS:		
Additions to property, less disposals — 1968, $1,714,000; 1967, $508,000	**$29,827,000**	$19,984,000
Cash dividends	**5,371,000**	5,292,000
Redemption of Participating Preference shares of Standard Fruit and Steamship Company	**7,806,000**	—
Increase in investments	**—**	635,000
Purchase of treasury stock	**596,000**	524,000
Purchase of capital stock of consolidated subsidiaries	**938,000**	2,093,000
Deferred costs and expenses of Philippine subsidiaries in developmental stages	**2,446,000**	4,152,000
Net changes in other assets and deferred credits	**724,000**	2,522,000
Increase in working capital	**11,709,000**	9,789,000
Total	**$59,417,000**	$44,991,000

SEVEN YEAR FINANCIAL REVIEW

(All figures in thousands except per share information)

	11 Months Ended March 31, 1968	12 Months Ended April 30, 1967	1966	1965	1964	1963	1962
Total revenues	**$348,921**	$336,376	$318,496	$256,175	$206,636	$183,297	$171,150
Income before extraordinary items	**10,692**	8,645	10,337	8,734	8,231	3,080	4,804
Extraordinary items, net of income taxes	**—**	1,434	—	9,235	—	—	16,486
Net income	**10,692**	10,079	10,337	17,969	8,231	3,080	21,290
Per share of common stock:							
Income before extraordinary items	**2.48**	2.02	2.43	2.06	1.95	.73	1.12
Extraordinary items	**—**	.33	—	2.18	—	—	3.85
Net income	**2.48**	2.35	2.43	4.24	1.95	.73	4.97
Cash dividends declared to Castle & Cooke, Inc. stockholders	**4,317**	3,987	3,656	3,476	3,465	2,776	3,538(2)
Per share	**1.00**	.95	.90	.86	.86	.70	.87
Working capital	**74,667**	62,958	53,169	65,394	46,532	47,525	53,472
Long-term debt	**91,030**	52,811	28,852	22,789	10,370	9,532	10,446
Minority interests	**23,249**	27,898	28,733	37,303	8,137	8,633	11,050
Stockholders' equity	**144,269**	137,521	131,158	123,848	109,051	103,864	104,000
Per share(1)	**33.34**	31.97	30.65	29.23	25.80	24.69	24.30
Average number of shares of common stock outstanding	**4,313**	4,291	4,256	4,232	4,216	4,229	4,263

NOTES:

(1) Based on the number of shares outstanding at the end of each period adjusted for stock split and stock dividends.
(2) Includes $2,511,000 declared prior to April 30, 1961, paid in 1961-62.

The 22-story Castle & Cooke Building towers over the new Financial Plaza of the Pacific, now nearing completion in downtown Honolulu. The striking structure serves as backdrop for this photograph of the company's principal officers who are, from left:
S. P. McCurdy, Secretary;
David W. Eyre, Vice President;
Robert S. Gordon, Vice President;
Henry B. Clark Jr., Vice President & Treasurer;
Malcolm MacNaughton, President;
William M. Bush, Executive Vice President;
Mitsuyoshi Fukuda, Vice President;
John F. Murphy, Vice President;
Stanley Rosch, Vice President & Controller;
Richard M. Macfarlane, Vice President.

Missing from photo:
A. G. Budge, Chairman of the Board, and John H. Scott, Vice President.

DIRECTORS

Ernest C. Arbuckle, *Chairman of the Board-Elect, Wells Fargo Bank*
A. S. Atherton, *President, Honolulu Star-Bulletin, Inc.*
A. G. Budge, *Chairman of the Board*
W. M. Bush, *Executive Vice President*
James J. Finch, *Executive Vice President, Newhall Land and Farming Company*
Robert V. Hansberger, *President, Boise Cascade Corporation*
Malcolm MacNaughton, *President*
John H. Magoon Jr., *President, Hawaiian Airlines, Inc.*
John H. Midkiff, *Retired Manager, Waialua Agricultural Company, Limited*
George G. Montgomery, *Chairman of the Board, Kern County Land Company*
J. S. B. Pratt III, *President, Hawaiian Trust Company, Limited*
Thomas F. Sandoz, *Chairman of the Executive Committee, Bumble Bee Seafoods*
Albert D. Schwaner, *Retired Executive, Dole Company*
Richard H. Wheeler, *President, Andrade & Company, Limited*

OFFICERS

A. G. Budge, *Chairman of the Board*
Malcolm MacNaughton, *President*
W. M. Bush, *Executive Vice President*
Henry B. Clark Jr., *Vice President and Treasurer*
Stanley Rosch, *Vice President and Controller*
David W. Eyre, *Vice President*
Mitsuyoshi Fukuda, *Vice President*
Robert S. Gordon, *Vice President*
Richard M. Macfarlane, *Vice President*
John F. Murphy, *Vice President*
John H. Scott, *Vice President*
S. P. McCurdy, *Secretary and Assistant Treasurer*
William B. Jamieson, *Assistant Controller*
J. K. Palk, *Assistant Treasurer*
George C. Shervey, *Assistant Treasurer*
Jess H. Walters, *Assistant Secretary*
Allen V. Cellars, *Assistant Secretary*
James R. Farley, *Assistant Secretary*
H. M. Richards, *Assistant Secretary*

AUDITORS

Haskins & Sells, *Honolulu*

STOCK TRANSFER AGENTS

Hawaiian Trust Company, Limited, *Honolulu*
Wells Fargo Bank, *San Francisco*
Morgan Guaranty Trust Company, *New York*

REGISTRARS

Bishop Trust Company, Limited, *Honolulu*
Bank of America, N.T. & S.A., *San Francisco*
Bankers Trust Company, *New York*